

## Message Text

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ACTION OPIC-06

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FM AMEMBASSY GABORONE

TO SECSTATE WASHDC PRIORITY 1433

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E.O.11652: N/A

TAGS: EINV, BC

SUBJECT: NICKEL/COPPER PROJECT - CHASE MANHATTAN BANK APPLICATION  
FOR OPIC POLITICAL RISK INVESTMENT INSURANCE

REF: STATE 9253

1. EMBASSY'S REVIEW FOLLOWS, KEYED TO POINTS IN PARA 3 OF AUGUST  
1977 MEMORANDUM:

A. USAGE OF RAW MATERIALS AND LABOUR: IN TERMS OF THE SOUTHERN  
AFRICAN CONTEXT, EFFECTIVENESS OF LABOR USAGE AT SELEBI-PIKWE  
IS ABOVE AVERAGE. ALSO, BOTSWANA IS A LABOR-INTENSIVE COUNTRY  
AND LABORERS DO NOT ADD SIGNIFICANTLY TO COSTS AS IN THE MORE  
DEVELOPED COUNTRIES. NEVERTHELESS, THE MINE MANAGEMENT MAINTAINS  
A TIGHT MONTHLY INSPECTION OF LABOR USAGE. CONCERNING THE  
EFFECTIVE USE OF MATERIALS, THE SHAREHOLDERS HAVE CAREFULLY  
EXAMINED THE USAGE OF ALL COMPONENTS IN ORDER TO INCREASE THE  
OVERALL PRODUCTIVITY OF THE MINE AND SMELTER PRODUCTION. CONSE-  
QUENTLY, THE RECOVERY OF METALS IN THE CONCENTRATE AND MATTE HAS  
BEEN DRAMATICALLY IMPROVED, FROM ROUGHLY 50 PERCENT IN 1975 TO  
60 PER CENT 1976 AND ABOUT 70 PERCENT IN 1977. BECAUSE THE ORE  
IS HIGH GRADE (3 PERCENT COPPER AND NICKEL EQUIVALENT), THERE IS  
STILL SUBSTANTIAL ROOM FOR IMPROVEMENT. ANOTHER DRAMATIC INCREASE  
IN THE EFFECTIVENESS OF THE USAGE OF RAW MATERIALS HAS BEEN THE  
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CHANGEOVER FROM OIL TO COAL ENERGY IN CERTAIN PARTS OF THE PRO-  
DUCTION PROCESS.

B. SELEBI-PIKWE AS RELATED TO THE COUNTRY S CLEAR ECONOMIC WELFARE.

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THE MINE AND SMELTER OPEARATION CLEARLY EMPLOYS MORE PEOPLE THAN

ANY OTHER ACTIVITY IN THE LAND. DIRECT EMPLOYEES TOTAL ABOUT THREE THOUSAND AND ABOUT SIX THOUSAND ARE EMPLOYED INDIRECTLY. IN ADDITION, THE MINE HAS PRODUCED A RELATIVELY ENORMOUS INFRA-STRUCTURE, E.G. A NEW TOWN OF TWENTY THOUSAND, THE DEVELOPMENT OF COAL AND WATER RESOURCES AND THE ADDITION OF RAILWAY LINES. WHILE THE GOVERNMENTS REVENUES FROM THE MINE AMOUNT ONLY TO SEVERAL MILLIONS OF PULA A YEAR, THE SELEBI-PIKWE COMPLEX CLEARLY ADDS TO THE ECONOMIC WELFARE OF BOTH THE EASTERN REGION AND THE ENTIRE COUNTRY.

C. EFFECT ON THE COUNTRY S BALANCE OF PAYMENTS:

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EMBASSY UNABLE TO OBTAIN SURPLUS OR DEFICIT FIGURES FROM EITHER MINISTRY OF MINERAL RESOURCES OF OR THE BANK OF BOTSWANA AND WAS TOLD SIMPLY THAT SUCH FIGURES FOR THE OPERATION HAD NEVER BEEN CALCULATED. HOWEVER, EMBASSY HAS NEVER HEARD THAT SELEBI-PIKWE CREATES A SERIOUS ADVERSE EFFECT ON BOTSWANA S BALANCE OF PAYMENTS AND CONSIDERS PARAMOUNT CONSIDERATION TO BE THE ADVERSE EFFECT WHICH FAILURE OF OPERATION WOULD HAVE FOR BOTSWANA.

D. EFFECT OF SELEBI-PIKWE ON HOST COUNTRY PUBLIC SENTIMENT.

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THE PARTICIPATION OF AMERICAN METALS CLIMAX IN THE SELIBE-PIKWE DEVELOPMENT IS THE ONLY LARGE EXAMPLE OF AMERICAN BUSINESS  
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ENTERPRISE AT WORK IN BOTSWANA. SHOULD THE USG FAIL TO ASSIST WHENEVER POSSIBLE AND THIS VALUABLE PROJECT SUFFER AS A RESULT, HOST COUNTRY SENTIMENT WOULD LIKELY BE ADVERSE TO THE UNITED STATES.

2. IN AS MUCH AS BOTH CHASE MANHATTAN AND GOB HAVE BEEN ADVISED OF NECESSITY TO HOST COUNTRY APPROVAL (SEE PARA 4 OF MEMORANDUM), ASSUME THAT OPIC HAS RECEIVED ORIGINAL OF LETTER OF APPROVAL, IN ENGLISH NO DOUBT. IF NOT, PLEASE ADVISE AND EMBASSY WILL ATTEMPT TO OBTAIN.

ALBERTI

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## Message Attributes

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